

Message Text

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21/13

ACTION ARA-20

INFO OCT-01 ISO-00 DRC-01 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 HUD-02 HEW-08

PA-04 DODE-00 USIA-15 PRS-01 PM-07 L-03 /138 W

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FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 8834

INFO PANCANAL

USCINCSO

C O N F I D E N T I A L PANAMA 5639

E.O. 11652: GDS

TAGS: EFIN, PN

SUBJECT: AMENDMENT TO BANKING LAW OF 1970

REF: EMBASSY A-205 AND PANAMA 5616

1. IN THE REFERENCED AIRGRAM THE EMBASSY REPORTED THAT ONE OF THE 12 NEW LAWS AFFECTING HOUSING AMENDED ARTICLE 33 OF THE 1970 BANKING LAW WHICH PROVIDED THAT BANKS, OTHER THAN MORTGAGE BANKS, SHALL BE OBLIGED TO INVEST THE EQUIVALENT OF A MINIMUM 50 PERCENT OF SAVINGS DEPOSITS IN MORTGAGE LOANS ON REAL ESTATE PROPERTIES WITH A TERM OF NOT LESS THAN FIVE YEARS; OR IN MORTGAGE CERTIFICATES, BONDS OR SECURITIES ISSUED BY MORTGAGE BANKS OPERATING WITHIN PANAMA. AS ANNOUNCED OVER TELEVISION ON OCTOBER 14 BY THE MINISTER OF HOUSING, THE NEW LAW REQUIRED THAT SUCH MORTGAGES HAVE A TERM OF NO LESS THAN 20 YEARS IN BENEFIT OF HOUSING OF "SOCIAL INTEREST" AND THAT ALTERNATIVE INVESTMENTS IN SECURITIES WOULD BE LIMITED TO THOSE OF THE NATIONAL MORTGAGE BANK.

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2. ON OCTOBER 16, SEVERAL ARTICLES APPEARED IN THE

SPANISH LANGUAGE PRESS WHICH QUOTED AUTHORITIES OF THE BANKING COMMISSION REGARDING THE NEW LAW. ACCORDING TO THESE REPORTS, BANKS WOULD BE OBLIGED TO DEPOSITS THE EQUIVALENT OF 50 PERCENT OF LOCAL SAVINGS DEPOSITS IN MORTGAGE LOANS ON ANY TYPE OF HOUSING FOR A MINIMUM OF 10 YEARS. THE REPORT MADE IT EXPLICIT THAT DEPOSITS IN EXCESS OF \$14,000 (TIME DEPOSITS) WERE NOT AFFECTED.

3. COMMENT: EMBOFF WAS TOLD BY AN OFFICIAL OF THE BANKERS' ASSOCIATION THAT, WHEN THE PACKAGE OF 12 LAWS AFFECTING HOUSING WAS PRESENTED TO THE LEGISLATIVE COUNCIL FOR APPROVAL, THE MINISTER OF FINANCE AND THE ACTING MINISTER OF PLANNING REFUSED TO ACCEPT IT IN THE FORM PRESENTED (AND IN THE FORM SUBSEQUENTLY ANNOUNCED ON TELEVISION). ON OCTOBER 15, THE BANKING COMMISSION, MET AND AGREED TO THE REVISED FORMAT WHICH APPEARED IN THE PRESS ON OCTOBER 16. THEY ASSUME THAT THIS RESOLVES THE DISPUTE OVER THIS SPECIFIC LEGISLATION.

4. UPON BEING INFORMED BY THE BANKING COMMISSION OF THE REVISED AMENDMENT TO THE BANKING LAW, THE BANKERS APPARENTLY FOUND THE CHANGES ACCEPTABLE ALTHOUGH THERE WAS SOME GRUMBLING ABOUT THE BAD IMAGE THAT THE GOVERNMENT HAD CREATED WHICH LED TO A TEMPORARY RUN ON BANK SAVINGS DEPOSITS WHICH WAS ON THE ORDER OF EIGHT TO NINE MILLION DOLLARS ACCORDING TO LOCAL ESTIMATES. THIS TEMPORARY PANIC WAS APPARENTLY THE RESULT OF A BELIEF ON THE PART OF THE PUBLIC THAT 50 PERCENT OF THEIR SAVINGS DEPOSITS WOULD BE FROZEN AND NOT SUBJECT TO WITHDRAWAL. IT IS POSSIBLE THAT MANY ASSOCIATED IT WITH A STATEMENT ON THE SAME OCTOBER 14 TELEVISION PROGRAM BY THE GENERAL MANAGER OF THE NATIONAL MORTGAGE BANK CONCERNING THE USE OF THE SECOND INSTALLMENT OF THE 13TH MONTH MANDATORY WAGE BONUS TO RESOLVE THE HOUSING PROBLEM. THIS PORTION OF THE 13TH MONTH WAGE PAYMENT IS REMITTED DIRECTLY TO THE NATIONAL MORTGAGE BANK AND CANNOT BE WITHDRAWN UNTIL TEN YEARS HAVE PASSED, THE EMPLOYEE RETIRES OR DIES IN WHICH CASE THE MONEY GOES TO HIS HEIRS.

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5. WITH REGARD TO THE OTHER 11 HOUSING LAWS, AT A MEETING OF CONEP REPRESENTATIVES AND GENERAL TORRIJOS ON OCTOBER 16, THE LATTER AGREED TO LET A GROUP OF BUSINESS REPRESENTATIVES REVIEW THE LAWS BEFORE THEY BECOME FINAL.
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